

HAZELTON TOWNSHIP  
SHAIWASSEE COUNTY, MICHIGAN  
REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hazelton Township	County Shaiwassee
Fiscal Year End March 31, 2006	Opinion Date October 5, 2006	Date Audit Report Submitted to State October 25, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

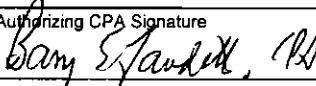
SM 2

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Elected Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net Assets	7
Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Governmental	
Funds	8
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds to the Statement of	
Activities	9
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual - General	10-12
Statement of Fiduciary Net Assets - Fiduciary	
Funds	13
Statement of Changes in Fiduciary Net Assets	
- Fiduciary Funds	14
Notes to financial statements	15-23
COMMENTS AND RECOMMENDATIONS	24

## INTRODUCTORY SECTION

Hazelton Township  
List of Elected Officials  
March 31, 2006

ELECTED OFFICIALS

James R. Sheridan	Supervisor
Rebecca M. A. Hart	Clerk
Cheryl Pope	Treasurer
Allan Gross	Trustee
Tony Newman	Trustee

## FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

Members of the Township Board  
Hazelton Township  
Shiawassee County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hazelton Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

*Barry E. Gaudette, CPA, P.C.*

October 5, 2006

## BASIC FINANCIAL STATEMENTS



**Hazelton Township  
Statement of Net Assets  
March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 99,501
Taxes receivable	15,568
Prepaid insurance	11,569
Due from other funds	111,534
Capital assets (net of accumulated depreciation):	
Land and improvements	55,600
Fire vehicles and equipment	135,766
Cemetery equipment	620
Office equipment	<u>1,973</u>
Total assets	<u>432,131</u>
<b>LIABILITIES</b>	
Accounts payable	<u>65,960</u>
Total liabilities	<u>65,960</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	193,959
Unrestricted	<u>172,212</u>
Total net assets	<u><u>\$ 366,171</u></u>

See notes to financial statements

Hazelton Township  
Statement of Activities  
For the Year Ended March 31, 2006

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 36,685	\$	\$	\$
Government	36,302			
Public safety	49,220			
Public works	240,658	93,906	4,070	
Other	<u>18,423</u>			
Total governmental activities	<u>\$381,288</u>	<u>\$ 93,906</u>	<u>\$ 4,070</u>	<u>\$</u>

General revenues:

Property taxes & administrative fees  
Licenses & permits  
State revenue sharing  
Interest earnings  
Sale of cemetery lots  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 36,685)

( 36,302)  
( 49,220)  
( 142,682)  
( 18,423)

( 283,312)

135,076  
120  
108,954  
10,685  
1,200  
1,596

257,631

( 25,681)

391,852

\$ 366,171

Hazelton Township  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 70,938	\$ 28,338	\$ 225
Taxes receivable	4,047	6,438	5,083
Prepaid insurance	11,569		
Due from other funds	<u>33,145</u>	<u>41,625</u>	<u>36,764</u>
Total assets	<u>\$ 119,699</u>	<u>\$ 76,401</u>	<u>\$ 42,072</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 65,960	\$ _____	\$ _____
Total liabilities	<u>65,960</u>	<u>_____</u>	<u>_____</u>
Fund balances (deficit):			
Unreserved, reported in:			
General fund	53,739		
Special revenue funds	<u>_____</u>	<u>76,401</u>	<u>42,072</u>
Total fund balances (deficit)	<u>53,739</u>	<u>76,401</u>	<u>42,072</u>
Total Liabilities and Fund Balances	<u>\$ 119,699</u>	<u>\$ 76,401</u>	<u>\$ 42,072</u>

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 99,501  
15,568  
11,569  

---

111,534

\$ 238,172

\$ 65,960

65,960

53,739  

---

118,473

---

172,212

\$ 238,172

Hazelton Township  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2006

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 172,212
---	------------

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	449,216
Accumulated depreciation	<u>( 255,257)</u>

Total Net Assets - Governmental Activities	<u>\$ 366,171</u>
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See notes to financial statements

**Hazelton Township**  
**Statement of Revenues, Expenditures, and Changes**  
**In Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2006**

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
<b>REVENUES</b>			
Taxes & adm. fees	\$ 55,287	\$	\$ 79,789
Licenses & permits	120		
Intergovernmental revenue from State:			
State revenue sharing	108,954		
State aid grant	4,070		
Interest earnings	9,925	759	1
Other revenue:			
Special assessments		93,906	
Sale of cemetery lots	1,200		
Miscellaneous	<u>1,596</u>		
Total revenues	<u>181,152</u>	<u>94,665</u>	<u>79,790</u>
<b>EXPENDITURES</b>			
Current:			
Legislative	36,685		
General government	31,116		
Public safety	25,265		
Public works	149,441	91,217	
Other	18,423		
Capital outlay	<u>7,996</u>		
Total expenditures	<u>268,926</u>	<u>91,217</u>	
Excess(deficiency) of revenues over(under) expenditures	( 87,774)	3,448	79,790
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in(out)	<u>8,443</u>		( 8,443)
Net changes in fund balances	( 79,331)	3,448	71,347
Fund balances-beginning	<u>133,070</u>	<u>72,953</u>	( 29,275)
Fund balances-ending	<u>\$ 53,739</u>	<u>\$ 76,401</u>	<u>\$ 42,072</u>

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 135,076  
120

108,954  
4,070  
10,685

93,906  
1,200  
1,596

355,607

36,685  
31,116  
25,265  
240,658  
18,423  
7,996

360,143

( 4,536)

---

( 4,536)

176,748

\$ 172,212



Hazelton Township  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$( 4,536)
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Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense. This  
is the amount by which capital outlays  
exceeded depreciation in the current period. ( 21,145)

Change in net assets of governmental activities	<u>\$( 25,681)</u>
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See notes to financial statements

Hazelton Township  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
-Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Property taxes and related fees	\$ 67,000	\$ 67,000	\$ 55,287	\$ ( 11,713)
Licenses & permits	100	100	120	20
Intergovernmental revenue from State:				
State revenue sharing	120,000	120,000	108,954	( 11,046)
State aid grant			4,070	4,070
Interest earnings	3,100	3,100	9,925	6,825
Other revenue:				
Sale of cemetery lots	2,900	2,900	1,200	( 1,700)
Miscellaneous			1,596	1,596
Total revenues	<u>193,100</u>	<u>193,100</u>	<u>181,152</u>	<u>( 11,948)</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>38,911</u>	<u>38,911</u>	<u>36,685</u>	<u>2,226</u>
General government:				
Audit	1,500	1,500		1,500
Dues & memberships	100	100	1,020	( 920)
Assessor	13,517	13,517	13,824	( 307)
Supervisor-supplies	100	100	50	50
Treasurer-supplies	3,500	3,500	1,338	2,162
Clerk-supplies	600	600	553	47
Election	6,000	6,000	1,163	4,837
Board of review	1,200	1,200	1,000	200
Cemetery	9,912	9,912	9,936	( 24)
Building & grounds	<u>2,400</u>	<u>2,400</u>	<u>2,232</u>	<u>168</u>
Total general government	<u>38,829</u>	<u>38,829</u>	<u>31,116</u>	<u>7,713</u>
Public safety:				
Fire protection	<u>29,400</u>	<u>29,400</u>	<u>25,265</u>	<u>4,135</u>

Hazelton Township  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
-Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>EXPENDITURES (CONT'd):</b>				
Current:				
Public works:				
Road maintenance	111,785	111,785	128,016	( 16,231)
Drain at large	20,067	20,067	20,639	(     572)
Street lighting	790	790	786	4
Total public works	<u>132,642</u>	<u>132,642</u>	<u>149,441</u>	<u>( 16,799)</u>
Other:				
DDA	4,000	4,000	2,000	2,000
Insurance	4,000	4,000	3,150	850
Pension	9,928	9,928	10,124	(     196)
Workmen's comp.			804	(     804)
Payroll taxes	<u>2,982</u>	<u>2,982</u>	<u>2,345</u>	<u>637</u>
Total other	<u>20,910</u>	<u>20,910</u>	<u>18,423</u>	<u>2,487</u>
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>7,996</u>	<u>1,004</u>
Total expenditures	<u>269,692</u>	<u>269,692</u>	<u>268,926</u>	<u>766</u>
Excess(deficiency) of revenues over(under) expenditures	( 76,592)	( 76,592)	( 87,774)	( 11,182)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			<u>8,443</u>	<u>8,443</u>
Net changes in fund balances	( 76,592)	( 76,592)	( 79,331)	( 2,739)
Fund balances - beginning			<u>133,070</u>	<u>133,070</u>
Fund balances - ending	<u>\$(76,592)</u>	<u>\$( 76,592)</u>	<u>\$ 53,739</u>	<u>\$ 130,331</u>

See notes to financial statements

Hazelton Township  
Statement of Fiduciary Funds  
Fiduciary Funds  
March 31, 2006

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>418,701</u>
Total assets	<u>418,701</u>
<b>LIABILITIES</b>	
Due to other funds	111,534
Due to other governmental units	<u>307,167</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u>\$ _____</u>

See notes to financial statements

Hazelton Township  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended March 31, 2006

	<u>Agency Fund</u>
<b>ADDITIONS</b>	
Property tax collections,	
special assessments and fees	\$1,364,650
Interest earnings	<u>6,648</u>
Total additions	<u>1,371,298</u>
<b>DEDUCTIONS</b>	
Payments to other funds	238,797
Payments to other governmental units	<u>1,132,501</u>
Total deductions	<u>1,371,298</u>
Changes in net assets	
Net assets - beginning	<u>                    </u>
Net assets - ending	<u>\$ <u>                    </u></u>

See notes to financial statements

**Hazelton Township**  
**Notes to the Financial Statements**  
**March 31, 2006**

**I. Summary of significant accounting policies**

The financial statements of Hazelton Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township does not have any component units. The Township is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns

in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Shiawassee County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$54,974,133, on which ad valorem taxes levied consisted of .9341 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$10,635 to collect the taxes and applicable interest.

The Township also levies 1.4515 mills for Township roads that are recognized in the Road Fund as current tax revenue.

The Township also levies .4935 mills for the Library that are paid directly to the Shaiwassee District Library.

The Township collects special assessments from residents to pay for garbage pickup costs. This amount is recognized in the Garbage Collection Fund as other revenue.

The Township collects a special assessment fee of \$25 from residents to pay for ambulance costs. The amount collected is paid directly to Twin Township Ambulance.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *garbage collection fund* is a special revenue fund that accounts for the collection of special assessments from residents for costs of garbage pickup.

The *road fund* is a special revenue fund that accounts for the collection of a tax levy for the costs of road maintenance in the Township.

The Township reports the following fiduciary funds:

These funds are used to account for assets held in trust or as an agent for others. The Township has one fiduciary fund as follows:

#### Agency Fund

Agency funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The *tax collection fund* is an agency fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special



assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise,

general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets**

##### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

##### **2. Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

##### **3. Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

#### **4. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Fire vehicles	20
Office furniture and equipment	5
Cemetery equipment	5
Fire equipment	5

#### **6. Compensated absences**

The Township does not have a compensated absence policy.

#### **7. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

## **8. Fund balance**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **9. Use of estimates**

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

# **II. Stewardship, compliance, and accountability**

## **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so

that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets were adopted for the special revenue funds. The Garbage Collection Fund budget was \$94,017 and the Road Fund budget was \$77,204 (includes \$77,204 budgeted in the General Fund).
6. The budget as presented, has not been amended.

#### **B. Excess of expenditures over appropriations**

For the year ended March 31, 2006, expenditures exceeded appropriations in the activities of due & memberships, assessor, cemetery, road maintenance, drain at large, pension, and workmen's compensation (the legal level of budgetary control) of the general fund by \$920, \$307, \$24, \$16,231, \$572, \$196, and \$804, respectively. These overexpenditures were funded by the available fund balance in the general fund.

### **III. Detailed notes on all funds**

#### **A. Deposits, investments and credit risk**

##### **Deposits**

At year-end, the carrying amount of the Township's deposits were \$99,501 and the bank balance was \$100,836, of which \$100,836 was covered by federal depository insurance.

##### **Investments**

The Township did not have any investments as of March 31, 2006.

*Interest Rate Risk* - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer. All of the Township's investments would be reported in the general, garbage collection, and road funds, if there were any.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 99,501</u>
Cash and cash equivalents:	
General, garbage collection, and road funds	\$ 100,836
Checks written in excess of deposits	<u>( 1,335)</u>
Total	<u>\$ 99,501</u>

## B. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	<u>\$ 55,600</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 55,600</u>
Capital assets, being depreciated:				
Buildings & improvements	85,493			85,493
Fire vehicles & equipment	274,196	7,996		282,192
Cemetery equipment	6,204			6,204
Office equipment	<u>19,727</u>	<u>_____</u>	<u>_____</u>	<u>19,727</u>
Total capital assets being depreciated	<u>385,620</u>	<u>7,996</u>	<u>_____</u>	<u>393,616</u>
Less accumulated depreciation for:				
Buildings & improvements	( 85,493)			( 85,493)
Fire vehicles & equipment	(122,471)	( 23,955)		(146,426)
Cemetery equipment	( 4,343)	( 1,241)		( 5,584)
Office equipment	<u>( 13,809)</u>	<u>( 3,945)</u>	<u>_____</u>	<u>( 17,754)</u>
Total accumulated depreciation	<u>(226,116)</u>	<u>( 29,141)</u>	<u>_____</u>	<u>(255,257)</u>
Total capital assets, being depreciated, net	<u>159,504</u>	<u>( 21,145)</u>	<u>_____</u>	<u>138,359</u>
Governmental activities capital assets, net	<u>\$ 215,104</u>	<u>\$ ( 21,145)</u>	<u>\$ _____</u>	<u>\$ 193,959</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 5,186
Public safety	<u>23,955</u>
 Total depreciation expense-	
governmental activities	<u>\$ 29,141</u>

#### **C. Interfund receivables, payables, and transfers**

There was an interfund transfer of \$8,443 from the road fund to the general fund during the fiscal year.

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	\$ 33,145
Garbage collection	Agency fund	41,625
Road	Agency fund	<u>36,764</u>
		<u>\$111,534</u>

### **IV. Other information**

#### **A. Risk management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

#### **B. Pension plan**

The Township paid \$10,124 to John Hancock Life Insurance Company for a defined contribution plan.

## COMMENTS AND RECOMMENDATIONS



Members of the Township Board  
Hazelton Township  
Shiawassee County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Comments and recommendations were not necessary.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

October 5, 2006